

CORRESPONDENCE, STATEMENTS, &c.

GRAND TRUNK RAILWAY.

193



Copy of Board Minutes received from Mr. Chapman.

GRAND TRUNK RAILWAY CO. OF CANADA.

On the 2nd May, 1854, Mr. Peto attended a meeting of the London Board, at which Sir C. S. Roney were present.

Mr. Peto then submitted the following statement with reference to the financial position of the Company, and the proposed progress of the works, which having been considered, it was ordered that the same be entered on the Minutes.

Statement submitted by Mr. Peto, and referred to above.

The cost as per contract of completing the lines of Railway from St. Thomas to about one hundred miles to the westward of Toronto, after deducting payments made to the 24th March, 1854, but not including expenditure on line from Montreal to Portland, but including 2 years' work at the bridge, will be £4,850,000

To meet this, there is	
Cash in hand, ...	286,500
Balance of calls on " A " series,.....	2,096,060
Bonds " B " series, ...	1,811,500
Reserved Bonds, ...	280,000
	4,474,060
To be taken in B shares,.....	
	£ 375,840

This will give to the Company 875 miles of railway Complete in the best paying district, stocked with plant, and leave unfinished 335 miles, say

113 miles below St. Thomas,
50 " Grand Junction,
72 " Westward of Toronto,

235 miles for which the provision may be made from the paid up shares of B series, and balance reserved for Quebec and Richmond, and St. Lawrence and Atlantic.

Of the £4,850,000, £3,406,000 will have to be provided by October, 1855, and the balance by October, 1856.

The £3,406,000 will be met by

Cash in hand,.....	£286,500
Balance of cash to arise from 5 calls in A series.....	1,700,000
Sale of Provincial Debentures.....	905,750
Company's Debentures.....	513,750
	3,406,000

There will remain, after October, 1855 :

Balance of Contracts.....	1,444,000
" A. Calls.....	396,060
" B. Company's Bonds,.....	392,000
Reserved Bonds.....	279,200
Paid up Shares,.....	376,740
	1,444,000

To provide for any wants of the Line from Montreal to Portland there are the Atlantic and St. Lawrence Bonds and the Toronto and Guelph Subscription.

To carry out the above it will be requisite for the Government of Canada to authorize their Agents in London to dispose of the Province Bonds, and apply the proceeds in payment of Certificates also that further time be given to the Contractors for the completion of the 235 miles, and to give a value to the Shares. The Contractors must leave in the hands of Messrs. Baring & Glyn, until 1st January, 1856, all the Company's Bonds received in payment, and all the paid up Shares until 1st January, 1857.

9 GREAT GEORGE STREET, WESTMINSTER,
30th January, 1855.

GENTLEMEN,—We beg respectfully to call your serious attention to the embarrassing position in which we are placed as Contractors for the Works on the Grand Trunk Railway of Canada arising from the Financial position of the Company.

It will be admitted, we think, that hitherto we have energetically prosecuted the great undertaking in which we are engaged, and that nothing has been left undone by us to bring it to a successful accomplishment. Under what difficulties and adverse circumstances beyond foresight or control all this has been done, it is needless to remind you. It is more to the purpose to say that as hitherto we have not shrunk from the sacrifices which the state of the times has imposed upon us, so as respects what remains to be done we have neither the intention nor the desire to recede from the obligations which we have contracted and are willing to the utmost of our ability and at whatever cost faithfully to discharge them.

On the other hand we think ourselves entitled to claim from the Company a fair and equitable consideration of the difficulties which surround us, and to ask in the interest of all concerned such reasonable cooperation as may be required for removing or mitigating these difficulties and enabling the result to be satisfactorily worked out.

You are aware that in the original Scheme for carrying out the combined undertaking by which the benefits of a through Railway communication were to be secured from the Province of Canada certain resources were calculated upon by means of which this great work was to be effected.

Among other things, a sum of £837,600, was, on the formation of the Company, reserved for Railway interests in Canada, as a boon to the parties entitled to avail themselves of it and in the full confidence that it would be readily accepted by them.

We had all a right to assume and did assume that this amount which at the time of issuing the A. series of Bonds and Shares would have been (if not reserved) freely taken by subscribers in England, would be forthcoming and available for the purposes of the undertaking.

In fact however no part of this reserve has been taken up and by the unfortunate change of times which occurred before the option was determined it became impossible to procure subscribers for it in this Country. Here therefore was one large deduction from the financial means of the Company.

Again in the progress of the undertaking it became apparent that it was necessary in order to bring the Railway from Montreal to Portland in proper working condition to make a large expenditure upon that line, and for this and other works from which we personally derived no benefit, and of the extent of which we had no knowledge, a sum of £800,000 has been outlaid beyond what

was provided on this head, thus creating a further deduction to that extent, from the fund relied upon as applicable to the construction of the works comprised in our contracts.

We make no complaint of this expenditure, which was certainly judicious as respects the general undertaking, but if reference be made to our memorandum on which the arrangement of the 2nd May last between you, the Representatives of the Canada Board then in London and ourselves was based, it will be seen that it was contemplated and was in fact part of the Financial Scheme then submitted by us that if provision were required for any wants of the line from Montreal to Portland it was to be made from other sources than those on which we were relying, and in the Circular to the Shareholders consequent on the arrangement then entered into it was clearly stated that in consideration of the active prosecution of the works by the Contractors the B. Province Bonds would be made available for the purposes of those works. When therefore it is found that an amount nearly equal to the whole issue of those Bonds has been spent extraneously to our Contracts and those of Messrs. Gzowski & Co. we think ourselves justified in adverting to this fact as accounting in a great degree for the financial difficulty which has arisen and as explanatory of the grounds on which we make this application to you.

Again by the Law regulating the proceedings of the Company the calls on the A. series of Shares and Bonds could only be made in stated instalments and at limited intervals, and the effect of all this is that the value of the works executed for which payment is due to the Contractors has overtaken and now greatly exceeds the Fund available for its liquidation.

In this state of things it has been formally notified to us that the Drafts of the Company in our favor for works already certified cannot be accepted nor the amount of the certificates not drawn for be paid; and we must assume that the further amounts due to us for works already executed will be dealt with in like manner.

It will not we are sure be matter of surprise or complaint if under such circumstances we are compelled anxiously to consider our position and to ask from you such support and cooperation as can be fairly and legitimately afforded.

We do not forget nor desire to keep out of sight the engagement which we have entered into as respects the B. series of bonds and shares modified as it has been by the arrangements subsequently made.

But we venture to call to mind—first—that in accordance with the arrangements made on the 2nd May last we are in no default as to the accepting of the bonds and shares of the B. series; and 2nd that by reason of the appropriation of so large an amount to the purpose already adverted to we have practically derived no benefit from the issue of the B. Province Bonds authorized by the recent Act of the Canadian Parliament.

Our actual position shortly summed up is this:—

There is due to us on certificates including those for the current month of January, £546,000. We hold in shares of the Company about £300,000, and to this must be added the value of our Plant in Canada and of the Works at Birkenhead, constructed expressly for this undertaking and of the work done but not yet certified amounting in the whole to a very large sum for which at present we have received no return. Indeed on the works of the Quebec and Richmond line we have sustained a positive loss of upwards of £100,000, and we are warranted in saying, as respects the undertaking generally, that in consequence of the enhanced price of all materials, as well as of labor and freights, irrespectively of any loss which we may sustain from receiving a portion of our payments in Company's Bonds and Shares instead of Cash, the prospect which we had of realizing a fair profit from our contract is seriously and irretrievably impaired.

What arrangements should be made for meeting the payments now due to us for providing for the liquidation of the amounts to be hereafter certified is a question urgently calling for a prompt determination, and we earnestly call upon you to consider the inevitable effect of a failure to make such provision, and the disastrous consequences to the Company if some strenuous effort be not made to extricate it from the position in which it is now placed.

For ourselves, we are quite ready to abide by the arrangement entered into on the 2nd May, and to fulfil in all respects our part of that engagement and we confidentially rely on a like disposition on your parts to take such measures as in your judgment may be best calculated to effect the objects thereby contemplated.

If they be effected, we undertake and pledge ourselves to complete, equip with Plant and open for traffic in the autumn of this year the Sections from Montreal to Brockville and from Quebec to St. Thomas; and the length from Brockville to Toronto in the autumn of 1856.

I am, Gentlemen,
For partners and self,
Yours, very faithfully,

S. MORTON PETO.

To the Directors of the
Grand Trunk Railway of Canada,
Old Broad Street,
London.

(Copy.)

9 GREAT GEORGE STREET,
WESTMINSTER, 2nd February, 1855.

To Thomas Baring, Esq., M. P.,
George Carr Glyn, Esq., M. P.

DEAR SIRs,—It has occurred to us that as Agents of the Province of Canada, you may feel it incumbent to write to the Government you represent, your views on the present position of the Grand Trunk Railway; and to enable you to know our arrangements, we think it our duty to write you explicitly thereon.

We have no hesitation in giving you our pledge that if the £900,000 of Province aid be given to forward the objects of the Company, that we will open the Road from Montreal to Brockville, this autumn, and also the line from Quebec to St. Thomas at the same time.

We also pledge ourselves to open the line from Brockville to Toronto (being the entire length from Montreal to Toronto, the Victoria Bridge of course excepted,) in the autumn of 1856.

The line from Quebec to Richmond is, as you are aware, opened. The contract time for this line was December, 1855. We have in this instance anticipated the time a year.

We propose that the Province aid should be given to the extent of £900,000 in 50 per cent. of each certificate for works, including Messrs. Gzowski & Co.'s contract from Toronto to Stratford, such certificates to be from 1st January, 1855.

We are to receive on our contracts 50 per cent. of produce of Province Bonds, and 50 per cent. of B. Bonds, &c., precisely as contemplated in the statement of 2nd May, and as per statement sent to the Grand Trunk Board. With this we shall bring into our contracts such additional capital as will enable us to complete the line at the times stated, and you will observe that these are in advance of our contract time of the 1st July, 1857.

I am, dear Sirs,
For partners and self,
Yours, very faithfully,

(Signed) S. MORTON PETO

197
London, 16th February, 1855.

(Duplicate.)

SIR,—As the two Directors named by the Province of Canada in the Board of Directors of the Grand Trunk Railroad Company of Canada, as well as members of the firms who act as agents here of the Government, we deem it proper on our part, and perhaps agreeable to you, that we should shortly state to you our opinion as to the present position and as to the prospects of the Company.

Your predecessor is aware that it was at the request of the representative then here of the Government of Canada, that in 1853, we accepted the office at the Board of Directors which we now hold. We were induced to do so by the representation that the Government desired our services in that situation, and we were confirmed by him in the belief that the completion of the proposed line of Railways was a work calculated to be of essential advantage to the Province. We felt that in thus joining the direction we should contribute, so far as importance is attached to the co-operation of our firms by the public, to the success of the subscription, and that our respective firms should embark a considerable amount of their own capital in an undertaking into which our names might lead others. Our respective firms became therefore subscribers for a large amount of shares with the conviction, no doubt, that the investment would be profitable, but we must state that we were mainly if not entirely induced to do so, and to take any part in the operations of the Company, by the belief that such a course was agreeable to the Government, and would be advantageous to the Province; and we must add, on account of what has occurred in the Legislative body, that our subscriptions did not prevent the allotment of shares to every applicant, whose addition to the body of proprietors would have been of advantage to the Company. We believe that the course taken by us has been beneficial to the enterprise, and we see no reason to change our opinion as to the benefits to be derived by all interested, from its completion, if the proper means are adopted to effect that end.

Various circumstances have combined to create difficulties in the financial arrangements of the Company. The changes from peace to war, from ease to pressure in the money market, from speculative buoyancy to doubt and uncertainty in the minds of capitalists and money dealers, would alone suffice in a great measure to account for altered prospects: but to these must be added the deficiency in the subscriptions in Canada. By the prospectus, shares and debentures to the extent of £837,600, were reserved for the Shareholders in the St. Lawrence and Atlantic and Quebec and Richmond Railways on the amalgamation, and for the bond-holders of the Ontario, Simcoe and Huron Railway Company. This reserve was not availed of, and when the period for the option expired in Canada, the shares here were at a discount. The Company was therefore disappointed in the hope of rendering this large sum available. Beyond this a large amount of paid up shares of the Grand Trunk Company, proceeding from the amalgamation of the various Companies, has been transmitted from Canada to London for sale, and thus by a forced depression of prices has prevented this Company from realizing the shares which remained unsubscribed for or forfeited of the A series, and at the same time rendered the B series useless for the payment of the Contractors. These unfavorable circumstances have, according to the statements which the Company have received, not interfered with the active prosecution of the works in Canada. On that point however we refer to you, Sir, who are fully able to form a decisive opinion, and have within your reach incontestable testimony; but we may add that we have witnessed on this side of the Atlantic the expensive preparations which have been made by the Contractors here for the prompt and successful termination of their labours. Every thing therefore in that respect would appear to be satisfactory; but this very energy and promptitude has been a source of difficulty to the Company as the claims for payment of work done have, in the rapidity with which they have appeared,

expenditure far beyond our calculations became necessary on the Atlantic and St. Lawrence line. This was, as it appears, a requisite measure from which corresponding benefits will be derived hereafter, but which absorbed a portion of the means of the Company otherwise applicable to meet other liabilities.

On the other hand the calls on the Shareholders of the A series have been made by the Company with all the rapidity authorized by the prospectus or even as fast as the state of the money market would allow with security of payment, and the calls will in like manner be continued. We have also much pleasure in stating that they have been met with very great punctuality, whilst in many cases instalments have been anticipated, and we have thus to congratulate ourselves on the respectability of our proprietary, which is the best evidence of the judicious allotment of the shares of the Company. It is however evident to us that the B series of Shares and Company's Bonds are at present useless as a pecuniary resource either to the Contractors or to the Company. In fact the apprehension of an attempt to realize them weighs on the market and injuriously affects the price of the A shares. If the Company now exercised the right to pay the Contractors with these securities the injury would be increased; the Contractors would be unable to resell them, and the payment of the future calls on the A series would be jeopardized. At the same time further assets would be obtained in anticipation of future calls, and of the future produce of the B series, if the vigorous prosecution of the works in Canada be a matter of moment not only to the Contractors and the Company but also to the Province itself. It will be for the Government of Canada justly to appreciate the importance which is attached to that object by the Legislature, but it appears to us that justice as well as expediency dictates the necessity of further Provincial aid. It would seem to us but just that the same assistance should be afforded to this Company as has been extended to other lines, and that the issue of Provincial Bonds should therefore be increased to 50 per cent. on the amount expended on the whole line of Railroad from St. Thomas to Stratford, exclusive of the expenditure on the Bridge. This would, if the calculations submitted to us are correct, justify an increased issue to this Company of £1,263,500 on the expenditure made and contemplated amounting to £6,750,000. Mr. Peto, by a letter to us of 2nd instant, of which copy is enclosed, guarantees on the part of the contractors the completion of the road as far west as Toronto before the end of 1856, if the Provincial guarantee to this Company be increased by £900,000. With this additional aid we have every confidence in the ability of the Company and contractors to complete the proposed works in an efficient manner and within or before the prescribed period: without it we entertain the greatest doubts of so speedy an accomplishment of the wishes of all. The security of the Province seems to us to be placed beyond the risk of danger by the first claim on the receipts and the first mortgage on the road, and that security is increased and improved even with this additional loan rather than by the imperfect and deferred completion of the line with a smaller extent of aid.

We have anxiously considered whether this proposed addition to the issue of Provincial Bonds would affect injuriously the shareholders of the A series, for towards them it is not only the duty but also the wish of all who have any control in these operations to maintain the most inviolable good faith. But their interests are identified with the successful and certain completion of the line, and they would be benefitted by the earlier developement of receipts and injured by procrastination and delay. Their advantage is promoted by the withdrawal even for a time of the B series of shares and Company's Bonds, whilst if the issue of Provincial Bonds enables the Company to cancel the amount of £837,500 previously alluded to in Bonds and Shares, of which a portion are preferential, they will obtain these benefits without a countervailing increase of the liabilities of the Company.

The whole subject has had, as you will well imagine, our anxious attention. The completion and success of this great work is so important to all concerned that it is quite unnecessary for us to urge upon the Government of Canada the careful consideration of the proper means to attain these results, and whilst we bow with deference to your superior judgment, we have thought it to be our duty to submit to you the opinion which we have deliberately formed.

We have the honor to be most respectfully,

Sir,

Your Obedient Servants,

THOMAS BARING,
GEO. CARR GLYN.

To the Hon. W. Cayley,
Inspector General,
&c., &c., &c.,
Quebec.

Dr.

GRAND TRUNK RAILWAY COMPANY OF CANADA. GENERAL STATEMENT OF CAPITAL ACCOUNT, in Sterling, 30th December, 1854.

Cr.

	Expended from 1st July to 31st Dec., 1854.	Prior to 30th June, 1854.	Total Expendi- ture to 31st December, 1854.			
	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.
<i>See Abstracts.</i>						
Preliminary Expenses—						
Grand Trunk.....	1867 16 4	40785 0 6	42652 16 10	By Share Capital—		
Toronto and Guelph.....	48028 8 2	878847 5 10	926875 14 0	St. Lawrence Shares, amount		
Toronto and Kingston.....	13831 2 2	57421 14 1	71252 16 3	received on account of		
Montreal and Kingston.....	298 3 2	2793 0 9	3091 3 11	these Shares.....	195360 19 2	
Grand Junction.....	29375 6 11	73031 1 10	102406 8 9	Toronto and Guelph, do do	119228 3 0	
Engineering.....	5984 19 4	42630 7 8	48615 7 0	Quebec and Richmond, do do	293690 3 1	
Works and Permanent Way.....	1790 7 7	13647 18 9	15438 6 4	Grand Trunk, do do	904240 0 0	
Stations, Buildings and Offices.....	4322 12 11	1871 14 10	6194 7 9	By Debenture Capital—		1512319 5 3
Advertising and Printing.....				Montreal City Debentures....	102739 14 6	
Locomotive Stock.....				do do.....	90000 0 0	
Merchandise Car Stock.....				B. A. Land Co.'s do.....	20547 18 11	
Passenger Car Stock.....				Montreal Seminary do.....	20547 18 11	
Miscellaneous Stock.....				Quebec and Richmond do.....	100000 0 0	
General Expenses Canada, and				Government do St. Lawrence	467500 0 0	
Interest on Loans.....	7212 2 7	129570 15 5	136782 18 0	Grand Trunk do, No. 1,		
Do do do.....	2470 7 2	8046 5 10	10516 13 0	Do do No. 2,....	£583970 0 0	2126695 12 4
Electric Telegraph.....	312 9 0	3330 8 6	3642 17 6	By Loan Account.....	1925360 0 0	983500 0 0
Works—						
Toronto and Sarnia.....	276765 8 7	363397 2 2	640162 10 9			
Montreal and Toronto.....	811353 0 0	589424 19 5	1400777 19 5			
Quebec and Richmond.....	166326 0 0	537337 3 7	703663 3 7			
Quebec and Trois Pistoles.....	150738 0 0	63171 19 10	213909 19 10			
Victoria Bridge.....	156000 0 0	57020 13 8	213020 13 8			
Survey, London and Stratford.....		2056 19 5	2056 19 5			
Lands and Land Damages.....	5819 6 9	751 8 11	6570 15 8			
Amounts carried forward.....£	1682495 10 8	2879799 16 4	4562295 7 0	Amount carried forward.....£		4622714 17 7

Amounts carried forward.....£ 1682495 10 8 2879799 16 4 4562295 7 0 4622714 17 7

Dr. GENERAL STATEMENT of Capital Account, (Continued.) Cr.

Dr.	Expended from 1st July to 31st Dec., 1854.	Prior to 30th June, 1854.	Total Expendi- ture to 31st December, 1854.	Cr.
	£ s. d.	£ s. d.	£ s. d.	
Amounts brought forward...	1682495 10 8	2879799 16 4	4562295 7 0	£ s. d. 4622714 17 7
Steam Ferry Boats	6986 6 0	4109 11 10	11095 17 10	£ s. d. 4622714 17 7
Balance to credit of Capital Account	1689481 16 8	2883909 8 2	4573391 4 10	
			49323 12 9	
			£ 4622714 17 7	£ 4622714 17 7

Amount brought forward....

Chief Accountant's Office, Montreal, 20th February, 1855.

BENJ. HOLMES, Vice-President.

Countersigned, W. H. A. DAVIES, Chief Acc't.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA.

Dr.

General Balance, 30th December, 1854.

CR.

	£	s.	d.
To Cash on hand in Canada..... £	6732	12	10
Do London.....	134737	9	3
To Bonds on hand, Toronto City..... £	82191	15	7
Do Atlantic and St. Lawrence 99452	1	2	
To Bills Receivable on hand			
To Exchange and Commission accounts, &c..			
To Premium on Debenture account.....			
To Provincial Debenture accounts.....			
To outstanding Traffic accounts.....			
To balance of Interest account.....			
To Payments made to Contractors on account.....			
To balance due by sundry individuals.....			
To balance at debit of Atlantic and St. Lawrence R.R. Co..			
	£1407827	13	3
To Stores on hand..... £	15925	1	2
To Fuel on hand.....	22552	3	7
Sterling..... £	1446305	3	0

Grand Trunk Railway Company of Canada,
Chief Accountant's Office,
Montreal, 20th February, 1855.

Countersigned,

W. H. A. DAVIES,
Chief Accountant.

BENJ. HOLMES,
Vice-President.

W. H. A. DAVIES,
Chief Accountant.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA.

Revenue Account for the half year ending 31st December, 1854.

Cr.

Dr.

EXPENDITURE.	Sterling.	RECEIPTS.	Sterling.
For Locomotive Power..... Abstract L	£ s. d.	From 141,550 first class and 19,109 second class Passengers	£ s. d.
For maintenance of way and buildings..... " M	25159 11 9	From baggage.....	35110 6 8
For merchandize charges..... " N	14673 18 11	From 150,430 tons merchandize.....	89 5 6
For coaching charges..... " O	16885 15 1	From Mails.....	59389 8 3
For general charges..... " P	6184 0 10	From Expresses.....	3339 2 4
For Telegraph charges..... " Q	1738 9 9	From hire of engines and cars.....	714 13 11
For compensation for losses, &c.....	229 16 0	From Rents.....	1333 17 2
For Longueuil Ferry account.....	670 0 9		589 17 10
For Quebec Ferry account.....	2530 12 4		
For taxes.....	393 16 7		
	1330 12 11		
Balance to credit of Revenue Account for the half year.....	£ 69786 14 11		
	30779 16 9		
	£ 100566 11 8		£ 100566 11 8

BENJ. HOLMES,
Vice-President.

Grand Trunk Railway Company, Chief Accountant's Office,
Montreal, 20th February, 1855.

Countersigned,
W. H. A. DAVIES,
Chief Accountant.